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A world of surprising resemblances?

Peer Vries

Introduction

I would have loved to have written *The Great Divergence*. It changed the way people look at a central problem in historiography and that is the best a historian can hope for. However, I think that there are problems in the approach of Pomeranz and more in general the so-called California School¹ in dealing with that divergence. Studying it actually means dealing with four different questions. The first one concerns the very first take-off: What caused the first escape in history from the Malthusian constraints? The second question concerns how the growth that then emerged could become self-sustaining. The third question concerns how some countries caught up. If *all* countries would have done so, there wouldn't be a Great Divergence. So there is a fourth question: Why did so many countries *not* catch up? Today I will only talk about the first question and the way Californians deal with it.

Taking off

The main thesis of the California School is that the Great Divergence took place rather late in history, during the late eighteenth and the beginning of the nineteenth centuries, and that it was contingent. Its adherents clearly oppose the idea of European exceptionalism according to which 'Europe' would have been on a different trajectory from the rest of the world from quite early onwards, at least since the end of the Middle Ages, and was bound to be the place where the Industrial Revolution would occur.

Californians fundamentally disagree with that. They claim that even at the beginning of the eighteenth century it was not clear that (Western) Europe was heading for an unprecedented economic breakthrough. There

¹ The best-known amongst these scholars are Kenneth Pomeranz, Roy Bin Wong, Jack Goldstone, James Lee, Dennis Flynn and Arturo Giráldez, Robert Marks, Peter Perdue, and the late Andre Gunder Frank. They are often called 'the California School' because many of them worked at universities in California. The term was introduced by Jack Goldstone.

was nothing inevitable about its industrial future. The first industrial revolution was primarily a matter of a certain historical ‘conjuncture’. According to them, on its eve, economic conditions and potential in several advanced parts of the world e.g., (parts of) China, Japan and Britain, still were quite similar, or to put it in Pomeranz’s famous quote the still were “a world of surprising resemblances”. In their view, as yet, no significant, structural differences or gaps existed between the economies of those regions. That of course is quite a contentious claim. The most fascinating thing about this entire conference as such probably is that intelligent people apparently have begun to wonder why China was not the first industrial nation instead of Britain. Some thirty years ago, not many people would have bothered or rather; many people would have considered the question weird. Something must have changed in the way people look at China’s past. I guess it is the way they look at China’s present and future.

‘Surprising resemblances’

When Pomeranz claims that there were no fundamental differences between e.g. eighteenth-century China, Britain and Japan, he means that they were all Malthusian societies. None of them had solved the basic problem that Malthus pointed at, which is that in all the societies he knew the four basic requirements in every economy (food, shelter, clothing and energy) had all to be catered for (almost) entirely via land. That implies that all pre-industrial societies faced the problem that a sustained increase of population in the long run could not be combined with a sustained increase of Gross Domestic Product (GDP) per capita. One can only agree: all pre-industrial societies indeed were Malthusian and *in that respect* quite similar. Even though all this may sound quite obvious and to some even uninteresting, it actually is fundamental. It is good to be reminded of it.

Industrial societies no longer are Malthusian. If the main problem of pre-industrial societies in creating the sustained and substantial economic growth that characterises industrial societies was the scarcity of land, industrial societies apparently have solved that problem. Britain was the first country that managed to do so. According to Pomeranz, the British happened to have a lot of coal and a lot of colonies which enabled them to break through the Malthusian ceiling. That is the essence and - in Pomeranz’s view - the explanation of their Industrial Revolution. Obviously

Britain therefore figures prominently in studies by Californians. They claim that of the regions outside Western Europe, China would have had the most advanced economy. The Chinese, however, did not have enough coal - or it was in the wrong place with all the problems that implied - and they did not have colonies. So they could not escape from Malthus and have modern economic growth. Of course Pomeranz admits there existed difference between various part of Eurasia but according to him they clearly did not matter so much to make it obvious that the Great Transformation would occur in Western Europe. What he focuses upon and emphasizes are surprising similarities in agricultural, commercial and proto-industrial development among various parts of Eurasia as late as 1750.

What about the differences?

What I want to concentrate upon today are major *differences* between Britain and China at the time. I will focus on the very long eighteenth century, the period roughly from the 1680s to the 1850s, and try to point at several differences that are so fundamental and big that they simply *must* have made a difference for the economic development and potential of both countries. The California school has had an enormous impact on the debate on 'the rise of the West'. That impact is well deserved. Some of its claims, however, have to be rejected and its approach definitely has to be broadened. In this lecture I only have a limited amount of time and I am not addressing an audience of selected specialists. That means my comments will all be quite general, introductory and 'schematic' in the sense of systematically juxtaposing China and Britain as if this actually would be uniform entities. I definitely have no urge or claim to present anything 'definite' or 'complete'. For further and more detailed information, I refer to my more extended publications on the California School indicated on my website.²

Agriculture

To test the 'surprising resemblances-thesis', we must begin by looking at agriculture, the main source of income and employment in any pre-industrial society. Doing so, one can only be struck by differences, not

² <http://wirtges.univie.ac.at>.

resemblances. Looking, for example, at the sizes of farms in the second half the eighteenth century, one can only conclude that these were quite different. In the Southern part of Britain, farms on average were one hundred and fifty acres. In the North, that was one hundred acres. In the densely populated parts of China Proper, overall, that average was a mere five acre. I would not call that a 'surprising resemblance' and I am sure that the average peasant at the time would agree.

The second thing one might do when looking at agriculture is to determine what peasants did with their land. Did they, for example, use it for growing crops or for keeping animals? Again, we see a huge difference here: Sixty per cent of the land in Britain at that same moment in time was used to feed animals. In China that was three to five percent. That is not what I would call a 'surprising resemblance' either. In Western Europe, overall, around 1800, more land was used to feed the many millions of animals used in agriculture than to feed people. Those animals ate a lot: An average horse, in terms of weight, could eat as much as eight adults.

A third big difference one comes across when comparing Britain's agriculture to that in China, is that in Britain up to fifty - Some would even claim seventy-five - percent of the people in the countryside were wage-labourers. In China, that was less than five percent. They often were referred to as 'bare sticks', which means that they normally did not marry and get children. Again, this is an enormous difference.

In brief, agriculture in Britain was large-scale; animals played an absolutely fundamental role in it and on the many large farms wage-labour was normal and wide-spread. An old-fashioned Marxist would say that Britain in its agriculture had an altogether different mode of production from what we see in China. Californians are not keen on thinking in terms of such modes of production. The concept, which was at the heart of Marxist analysis for so long, in any case hardly ever appears in their publications. A dogmatic interpretation of the concept, and in particular the idea that there exists a specific succession of such modes of production, indeed has to be rejected. But as an analytical concept it definitely has its value.

If we systematically compare the prevalent mode of production in British agriculture to that of China, it is clear that differences are quite substantial. For China's agriculture a household-mode of production was typical. Small farms run by peasant-households predominated. Not just in rice farming, where there may have existed an economic rationale for

dividing all land in small plots, but also in the growing - and processing - of tea, which outside China soon came to be associated with large plantations. The size of tea farms in China was one to five acres. As compared to most tea farms that would come into existence elsewhere in the world, they were mere gardens. Cotton growing too, as a rule, was done on small plots in China, in contrast to what happened in, for example, the South of the United States. The same applies to the growing of tobacco and sugar. Processing all these crops normally was not done in big 'manufactories' either. The differences between what happened in China and, in these cases, in Britain's *colonies* again are striking.

The characteristics of Britain's mode of production in agriculture – its preference for large scale farming, the use of animals and implements, and the 'proletarianisation' of much of its labour force - could *facilitate* and *ease* a process of industrialisation. Please note, I am not saying *cause*. But still, we see a certain trajectory here. There existed a persistent tendency in British agriculture - and more in general in Britain's economy - to opt for large-scale solutions and to use wage labour. Employing wage labour is bound to lead to persistent efforts to increase efficiency and save labour as you actually have to pay a 'stranger' for what he or she is doing. Such efforts were much less necessary and normal in China's agriculture.

Manufacturing

Looking at the secondary sector of their economies, we again see that in China, in contrast to Britain, a household-mode of production predominated. Actually, in China, agriculture and 'manufacturing' were very often, more often than in Britain, combined under one roof. In Britain's manufacturing too, overall, more production took place outdoors and/or employing non-family wage labour. If I would have to bet which mode of production was more likely to experiment with mechanisation and more in general 'industrialization', I would definitely choose the one that prevailed in Britain. Not because I already know that Britain would become the first industrial nation, but because that simply and for various reasons is the rational choice.

If the primary as well as the secondary sector of an economy both are characterised by a household-mode of production, that must have major implications. Household-producers like those in China are not likely to buy

big machines or any other implements: those are far too expensive. Investment in capital goods overall will be negligent. As such households produce some manufactured goods themselves they will have a tendency to buy less of them on the market. They, moreover, have a tendency to not let go their labour force and even absorb extra labour instead of shedding it. The reasons for doing so are fairly obvious. That labour is family, which of course is different as compared to employing strangers, and it as a rule is cheaper: its inputs and outputs are not calculated on the basis of market prices. The household-mode of production, moreover, tends to make labour cheap as compared to capital goods and resources. That means it creates much less of an urgency to save labour costs.

In Britain, in contrast, labour was relatively expensive and energy, the resource that is most relevant here, relatively cheap. That means that already long before industrialization we can see a clear tendency in this country to opt for techniques and modes of producing that were labour-saving, and for non-human sources of energy. Around 1700 already half of Britain's energy consumption consisted of coal. The use of coal during its industrial revolution clearly as such is not a discontinuity in its economic history. The same goes for the use of machinery. Overall, more 'machinery' was used in production in Britain than in China already before industrialization and more technology was applied and developed to be used in production.

In China, moreover, the system that in European economic history has become known as 'putting-out' or '*Verlag*' was much less common than it was in Western Europe. What was more common there, in contrast, is what in German is called a *Kaufsystem*. In essence that means that someone buys something, does some processing, takes his product to a market and sells it to someone else. The person who buys the product, also does some processing, takes it to a market and sells it to someone else. In that way production often was characterised by extended lines of people each carrying out a specific part of the entire production process, whereas in Britain it was more common that in production to find some centrally coordinating 'managers', as a rule merchants. In practice, it was quite complicated to really get a grip on people working - at home - in such a putting-out system. However, it *was* different from a household mode of production in the sense that it was centrally coordinated, used some economies of scale, and was more capital-intensive in terms of the sums of money involved.

Town and countryside: a division of labour?

The tendency of household-producers to spend less money on markets, especially abstract and far-away markets, than wage-earners, will have had an impact on the level of urbanisation and the role of cities in China. In Europe, especially England, the level of urbanisation was much higher than it was in China, and it *increased*. In China, it probably was higher under the Sung Dynasty from the tenth to the thirteenth century, than it was under the Qing at the beginning of the nineteenth century.

Concerning the *level* of urbanisation I think Pomeranz is right when, in his lecture, he indicated that as such urbanization need not mean much in terms of the size or concentration of markets. Population density in many rural areas in China was as high or even higher as in many urbanized regions in Europe. But population density is not all that matters: It might not even be what matters most in this context. In Europe, which I think is very important there usually was a division of labour between city and countryside, which you do not have to that extent between villages.

Different trajectories already before Britain's industrialization

Industrialization in the nineteenth century tends to be associated with the massive use of fossil fuel as source of energy, with factories and wage labourers, with machinery, large-scale enterprises and urbanization. The Industrial Revolution indeed was a revolution. No doubt about that. Various major innovations, first and foremost the steam engine and the various ways in which it was put to use, fundamentally changed the productive capacity of Britain's economy. But in many respects it was an *accelerated* continuation of a trajectory that was already characteristic for Britain's economy for many decades if not centuries.

Apart from the fact that, indeed, both Britain and China in the beginning of the eighteenth century still had Malthusian economies, I would claim their economies were not surprisingly similar but quite different. The *probability* that industrialization would originate in Britain was far higher than the probability that this would be the case in China. I am not at all suggesting that for a country on the British trajectory industrialization was *inevitable*, only that it was a 'logical' to try and come up with a solution that

people would later on describe as ‘industrialization’. In my view the chance that China would have become the first industrializing nation of the world, was about zero. It is highly improbable that an economy in which the costs of energy and resources as compared to human labour tend to rise and that has hardly any wage labour, will quite suddenly start to opt for a strategy in which cheap family labour has to be replaced by expensive, non-family wage labour using expensive machinery and energy sources. I would even go further. If China in the eighteenth century would have stumbled on an enormous stock of easily accessible coal and had acquired huge colonies, that, to my view, still would not have triggered a process of industrialization comparable to that in Britain.

The service sector

In most debates about the Industrial Revolution in Britain, people tend to forget that the emergence of modern economic growth in Britain and its economic primacy in the nineteenth century, involved much more than just the development of a modern industry. The period that Britain was *an* or rather *the* industrial nation of the world was only an interlude in its history, lasting only from roughly the 1820s till the 1870s. In many publications one tends to focus so much on steam and factories that one loses sight of the fundamental importance of the service sector for Britain’s economy at the time. The contribution of trade, transportation, finance and insurance to mention the most important sub-sectors, to Britain’s income and not to forget to its growth, was very substantial already before industrialization and it increased over time. I would dare to make an even bolder claim: I think that Britain could not have industrialized at all the way it did without its service sector.

In comparisons of pre-industrial Britain and pre-industrial China by Pomeranz and other Californians we also see this relative neglect of the service sector. The focus tends to be on commodities and their production. That is not without risk and it in any case is curious, considering the enormous amounts of money circulating in that sector. A nice example of the ‘risks’ involved in such a focus would be the tea trade between Britain and China. The Chinese produced the tea. The British bought it and brought it to Europe. This is often presented as an exchange in which the Chinese somehow won and the British somehow lost. That is a

misunderstanding. It is like thinking that Columbian coffee planters are the ones who really profit from coffee trade. That is not the case: the bulk of the money goes to Starbucks. Tea was sold in Britain in the beginning of the nineteenth century for prices many times as high as the prices that were paid to Chinese producers in China. The difference was pocketed entirely by Britons. In mercantile capitalism, but not only there, it as a rule is the intermediaries who earn and profit most not the producers. One cannot study the Great Divergence adequately without systematically looking at the service sector of the countries one is comparing and if one does so I think one will have to conclude that in this respect too Britain and China were quite different. Many of these differences are due to the specific political economies of both countries. That brings us to the role of the state.

Bring in the state

Let me now, after having discussed various topics related to modes of production, bring in a second set of topics that in the debate on the Great Divergence as yet have not been sufficiently explored but that would again cast serious doubts on the surprising-resemblances-thesis. They can be heaped together under the common denominator 'the role of the state'. As such this need not and actually is not, unrelated to Pomeranz's 'coal and colonies'-explanation. When it comes to China's supply of coal, the role of government is quite important, and fairly negative. Government often opposed opening new mines or closed existing ones as it was afraid that unruly miners would cause social unrest. When it comes to acquiring colonies, a similar comment can be made. If a tiny country like Britain can have them, why would that be impossible for China? Here too, government played an important and negative role. It did nothing to create an empire comparable to the overseas empires built by several European states. It was not interested. What is even more striking from a European perspective is that it did hardly anything with the enormous ghost acreage and resources of a region that actually was quite close to its heartland, i.e. Manchuria or of Xinjiang. The regions that were added to China Proper by the Qing rulers - who themselves came from Manchuria - by and large *cost* the Chinese state money.

Things were quite different in (Western) Europe. That does not mean it got its overseas colonies on the cheap. It simply can not have been

easy for such a relatively small country like Britain to acquire such a huge empire. To say that Britain was 'lucky' or 'fortunate' to have colonies or 'happened' to have them, as Pomeranz likes to do, means one ignores the absolutely staggering amount of effort and resources it took Britain to acquire and keep its empire. It moreover trivialises the inseparable connections that existed between Britain and its empire, not only in strictly economic terms but also in terms of institutional development. The costs of empire were staggering. Britain had to fight numerous wars with the non-European people who ended up in its empire or, like the inhabitants of the United States, escaped from it, and with its European fellow-colonizers like Spain, the Dutch Republic and France. Empire-building implied exporting European conflicts to the entire globe and turning that globe into a stage for Western warfare.

Whereas costs of empire are not mentioned at all or just in passing by Pomeranz, its benefits in terms of providing cheap, land-intensive resources are exaggerated. This brings us to another fundamental and more general point in my critique of the work of the California School. I will discuss it here, although it does not perfectly fit in into the overall line of my argument of today. Most of the members of the California School, Jack Goldstone being a clear exception, to my taste are far too pre-occupied with resources.

Pre-occupation with resources

Cheap and plentiful resources, coal and colonies, apparently did the trick, according to Pomeranz. In any case, they are supposed to have done so for Britain. But coal is a just fossil. It does not do anything on its own. You have to locate it, to get it out of the ground and do something with it. It is the same with colonies: they *can* provide ghost acreage on which land-intensive raw materials *can* be produced that you *can* import. Let us take the example of cotton that was so crucial in Britain's industrialization. What use would it have been to import so much of it, if Britain would not have been able to turn it into a finished product for which there was great demand? In brief, what exactly would have been the advantage of being able to import cotton in absence of a very efficient cotton industry? Aren't Californians taking the egg for the chicken here? Moreover, if having or rather *importing* huge amounts of cheap cotton was so essential to Britain's ability to

industrialize, then why did not parts of China industrialize earlier? That country had enormous amounts of cheap cotton *at home* and on top of that it could import staggering amounts of raw cotton cheaply from India. Pomeranz seems to love ‘Toynbee-an’ challenge and response-arguments, in which the disadvantage of having mines that are constantly in danger of being flooded provides the positive challenge to invent a steam engine and the absence of raw cotton at home looks like a good reason to set up a cotton industry.

Actually, to simply ‘have’ things or to acquire them is the kind of windfall that normally does not get one very far in history, and never for long. What you need, is an efficient system of production, i.e. high productivity. If you want to continue to be productive, in the sense of competitive, and get even richer, you need to be permanently innovative. To claim a country is rich because it happens to have coal or because it happens to have colonies is evading the really important question. It is taking what need not even be a necessary condition – Where are the coal and colonies of the Swiss or the Scandinavians, or for that matter of Meiji Japan? – for a sufficient one. The key to sustaining growth is innovation. The role of technology in the broadest sense of the word, including what one might call ‘social engineering’ or ‘management’, in processes of innovating is so obvious that I am not going to elaborate on it. The Californians, again with the clear exception of Goldstone, really should say more about science and technology. I would rather like to end by making some more comments on the role of institutions, in particular the state in the debate on the Great Divergence.

Entirely different polities

Whereas economists are focusing more and more on institutions, global economic history as practiced by the California School surprisingly enough tends to not pay a lot of attention to them. I will only focus here on the state, the ‘institution behind all institutions’. When looking at Britain and China at the eve of Britain’s industrialization, in this respect too, we see amazing differences that simply *must* have had major consequences for the economic development of both countries.

In my view, China’s predicament in the nineteenth century, economic and otherwise, to a very large extent can only be explained with

reference to the relative (as compared to Western powers) and absolute (considering the domestic problems it faced) *failure* of its state. That state simply lacked the means - and often also the motivation - to cope with the (new) challenges it had to face. It turned out to be very weak when it came to defending its interests against Western powers. It lacked money, personnel and a coherent strategy to deal with them and with the internal problems that increasingly plagued the country. It was too weak to uphold the status quo, let alone that it would be able to support upcoming industries and provide them with necessary infrastructure.

Britain and China at the time were quite different states. Let me here just refer to some of the most striking differences. Talking about early modern states, means talking about the sinews of power i.e. money and therefore taxes. The tax level in Britain *per capita, in real terms*, was about five times as high as it was in China at the time of their diverging, around 1800. We are not talking about irrelevant sums here. In Britain, over the period from 1750 to 1850, tax revenue of central government *on average* will have amounted to some fifteen percent of national income. During the long Revolutionary and Napoleonic Wars, that percentage may have been as high as twenty percent and more. We lack hard data that would enable us to give figures for China but my guess would be that the average percentage here would be closer to five percent. I really have to emphasize that I am talking in terms of orders of magnitude here, in estimates if not guesstimates. But again, I would say, what we see is quite a difference. Pomeranz never refers to this. The word 'tax' does not figure in the index of his book. Government *expenditure, again per capita, in real terms*, at that time was no less than seven times as high in Britain as it was in China.

If expenditure was so much higher than income, there must have been a massive debt. There indeed was. Just after the Napoleonic Wars, Britain had a national debt that amounted to some 260% of its GDP. Between 1760 and 1860, that debt *never* amounted to less than hundred per cent of GDP. China's central government only began to experiment with borrowing money after the first Opium War. One can of course disagree about advantages and disadvantages of the systems of public finance, including their monetary systems, of Britain and China at the time. To me, to give just one example, however, it is quite obvious that Britain profited greatly from the fact that its government was able to borrow such enormous amounts of money from its subjects (and others) in case of need. China's government simply was unable to do that, which meant that the

relatively small debts that the country incurred from the Opium Wars onwards, could lead to major problems. But what one in any case can *not* do, is simply ignore matters of public finance and therewith suggest they are irrelevant. In works by Californians you find only very few references to public finance, and not many to private finance. I do not need to explain to you during the current crisis, that the financial sector is extremely important.

There are other significant differences. They all point to a basically weak Chinese state. What to think of the fact that Britain's central government around 1800 employed about as many bureaucrats as China's? Or of the fact that the Chinese army at the time, according to the highest estimates I know, will have only been about one million people? Of whom the majority, by far, never did any fighting. For Britain during the Napoleonic Wars, one can find these figures in the literature: 260,000 people serving in the army, 160,000 in the Royal Navy, and some 200,000 soldiers fighting for the East India Company. I have not even mentioned then the 500,000 allied troops that Britain's government was paying for at the moment are not even included here. The same goes for the 500,000 volunteers serving in various Home Guards. Britain, including Ireland at the time had eighteen million inhabitants. If the Chinese would have had the same percentage of their population under arms, they would have had an army of over eighteen million people. In case of a head-to-head confrontation the Chinese army would have been no match for that of Britain. A Chinese fleet to confront the Royal Navy was well-nigh absent.

Entirely different policies

Britain and China were not only quite different when it comes to the structure and organization of their polities: their governments also had very different policies. The early modern era in Europe was an era of mercantilism: that is economic nationalism. The British state was and basically continued to be fiercely mercantilist until the 1840s, and it did everything it deemed necessary to strengthen its economy by supporting its producers and traders as compared to those of its competitors. China's government was hardly interested in foreign trade. It at times even curbed it and in several respects clearly hampered it. It did not consider itself to be in competition with all its tiny and, from its perspective, fairly uninteresting neighbors. At home, its policy basically was one of leaving well alone. In the

extremely competitive and violent setting of early modern Europe a state could not afford such a laid-back, hands-off approach.

Europe was a system of states that were fairly equal in size and potential and that constantly waged economic or real wars. This created a kind of state *and* a kind of economic policy that were fundamentally different from those we find in China. Here too, the differences must have made a difference. Just think of the Navigation Acts, and the way in which they were used to give Britain a competitive advantage to the rest of the world, or the way in which the British state supported the development of a domestic industry producing cotton textiles. Nothing similar to this can be found in China. Operating in a different environment and facing different problems, China's rulers behaved quite differently. They did not opt for a mercantilist policy. That need not imply they were backward, conservative, or too passive, although in some respects I think they were. Why would they want to solve problems they did not have? Until a couple of decades into the nineteenth century China did not face any serious economic competition nor did it have to deal with any really nasty and powerful enemies.

Final comments

In trying to explain the Great Divergence one clearly must look at resources, first and foremost at energy. In that respect the California School, to a large extent basing itself on work by Tony Wrigley, has a major point. If a country does not solve the basic problems Malthus described, especially in the field of energy, it simply will continue to be stuck at a low level of economic development and wealth. The West, according to Pomeranz *cum suis*, escaped from Malthus via coal, or rather the steam engine using coal, and by importing land-intensive products from some of its peripheries. Coal and colonies definitely were fundamental in the Rise of the West. But reference to them cannot suffice to explain it. There is more to explaining that very complex phenomenon. Moreover, the fact that it was (parts of) the West that profited from coal and colonies as such cannot be left unexplained as a kind of simple good luck. It has deep, firm and extended roots in Western history.

Overall, Californians would be well-advised to broaden their approach, as some, e.g. Jack Goldstone, have already done. In this text, I

only discussed matters regarding the modes of production and the nature of the state of the two countries that are central to the debates on the Great Divergence, Britain and China. I might also have referred to the role of culture and that of science and technology which also are relatively neglected in the work of most Californians.

In my work, at the moment, I focus on the state. I think you cannot understand the functioning of an economy if you ignore it. The tendency to do so, by the way, might be one of the less fortunate effects of the current focus on 'the global' in historiography. For many topics a transnational or for that matter a regional approach indeed is preferable over the traditional national one. But in discussing the Great Divergence one simply has to take on board the many ways in which the state impinged on the economy of the countries one compares.

Doing so would clearly not solve all our problems, if problems are ever really solved in such a complex debate as this. I have pointed at fundamental differences between Britain and China when it comes to their modes of production and when it comes to the nature of their states. Especially in the latter case the exact effects of the differences I referred to and the ways in which they can be connected to the Great Divergence are not at all obvious. I have pointed at the fact that taxation was much higher in Britain than it was in China. The same goes for government expenditures and national debt. But what does this mean? Does it mean that a high level of taxation, government expenditure – most of it on war! - and public debt is conducive to economic development? Many if not most economists would not immediately agree, to put it mildly. My answer at the moment is that in the case of early modern and industrializing Britain, it to a certain extent definitely was. I also indicated that Britain was a mercantilist state when it took off. Does that mean that Adam Smith and most economists are wrong and that mercantilism in the end was a Good Thing? My answer would again be: Yes to a certain extent it was. The answers to these questions are anything but undisputed and indisputable. Debates about the role of the state in economic development have never completely calmed down and at the moment they are clearly flaring up again. But whatever their outcome, the differences I pointed at between China and Britain, in the nature of their states as well as in their modes of production, must have made a difference. We really must take them on board if we want to get closer to solving the riddle of the Great Divergence.